

Information Services-Related Opportunities for Employer Services—An Initial Review

November 19, 1991



Agenda

- Overview of information services industry
- INPUT's view of Employer Services
- INPUT's assessment of general opportunities for Employer Services
- Examination of specific service areas and opportunities
- Summary

INPUT

YWAD1- 9

Notes



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Market Research and Consultancy

Information Technology and
Services Industry

17 Years in Business

80 Employees

MS-6

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Notes

11/15/91

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California, New York, Washington D.C.,
London, Paris, Tokyo, Frankfurt

Emphasis on Primary Research

Experienced Senior Executives

Comprehensive Forecasts

MS-7

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Notes

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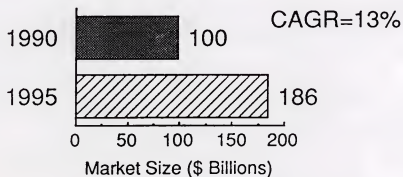
Information Services Industry Trends

MS-2

INPUT

Notes

U.S. Information Services Market, 1990-1995



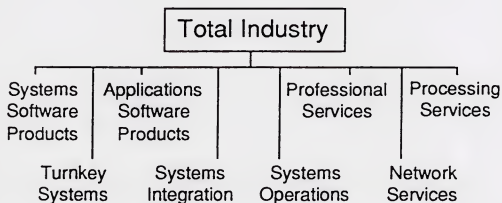
MF-3

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Notes



Information Services Industry Structure



IS-2

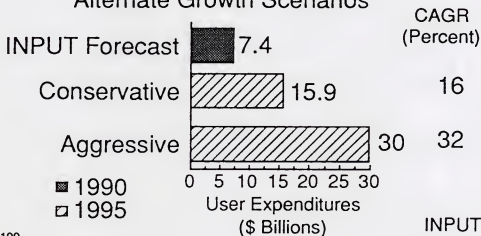
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Notes



U.S. Systems Operations Forecast, 1990-1995

Alternate Growth Scenarios



Notes



**“Old”
Facilities Management**

- Focus on computer operations

**“New”
Systems Operations**

- Development, planning, control,
operations

SO-2

INPUT

Notes



Types of Systems Operations

Type	Responsibilities
Platform	Operations of computer systems and their networks
Applications	Operations and applications software

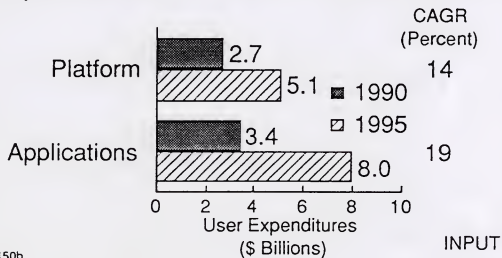
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SO-74

Notes



U.S. Commercial Systems Operations Market, 1990-1995

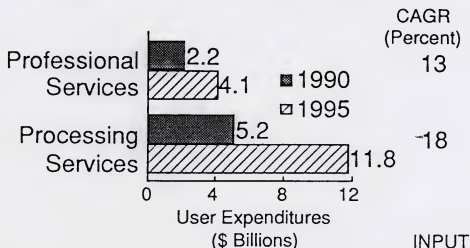


SO- 150b

Notes



U.S. Systems Operations Market, 1990-1995



SO- 20a

Notes



Characteristics of Types of Systems Operations

Location of Main Computer	Ownership of Main Computer	
	Vendor	Customer
Vendor Site	Processing Services	Processing Services
Customer Site	Professional Services	Professional Services

SO- 5



Dominant modes

INPUT

Notes



Characteristics of Types of Systems Operations

Location of Main Computer	Dedication of Main Computer	
	Shared	Single Customer
Vendor Site	Processing Services	Processing Services
Customer Site	Professional Services	Professional Services

☐ Dominant modes

INPUT

SO-6

Notes



Systems Operations Driving Forces

- Core business focus
- Business transition
- Expense reduction
- Capital preservation

SO- 10

INPUT

Notes



Systems Operations Processing Services

- Fastest-growing processing market
- Changing attitudes of IS executives
- Non-IS executive involvement
- Emerging systems vendors' strategies

INPUT

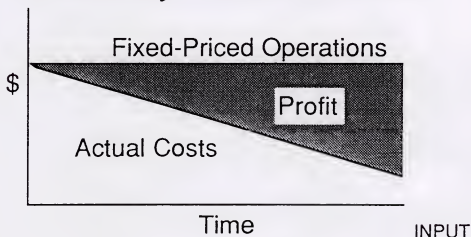
SO- 15

Notes

5/1/91



Systems Operations Efficiency Yields Profits



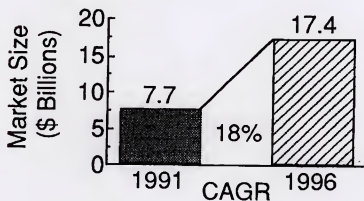
SO-17

Notes

5/1/91



U.S. Systems Integration Market 1991-1996



SI-8

Notes



SI Definition

- Vendor-provided service
- Complete solution to complex requirement for:
 - Information systems
 - Networking
 - Automation

SI-2a

INPUT

Notes



SI Definition

- Custom selection and implementation of products and services

SI-2b

INPUT

Notes



Major SI Buyer Issues

- Core business focus
- Competitive demands
- Increasingly complex solutions

SI- 4

INPUT

Notes



Major SI Buyer Issues

- Users becoming buyers
- New technology application
- Unavailable skills

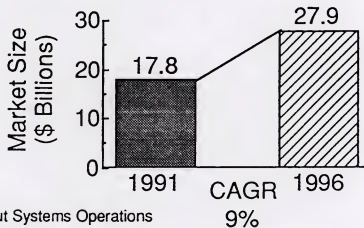
SI- 5

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Notes



U.S. Professional Services Market,* 1991-1996

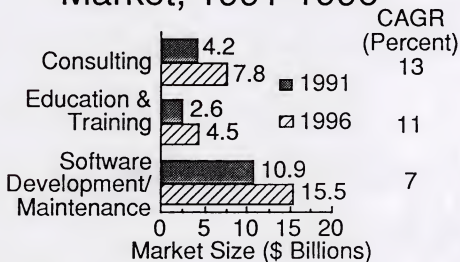


PF-11

Notes



U.S. Professional Services Market, 1991-1996



9F-12

Notes



Professional Services Market—Driving Forces

- Lack of skilled personnel
- Growth of network applications
- Amount of proprietary systems in use
- Growth of consulting services

PF-3

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Notes



Professional Services Market—Growth Inhibitors

- Economic downturn
- Increased power of application development tools
- Lack of personnel with critical technical skills

PF-5

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Notes



Professional Services Market—Growth Inhibitors

- Movement of prospects to systems integration/operations
- Slowing of information services industry

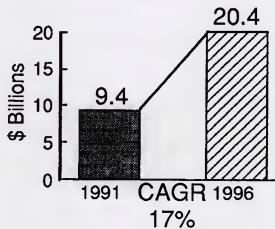
PF-6

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Notes



U.S. Network Services 1991-1996



NS-61

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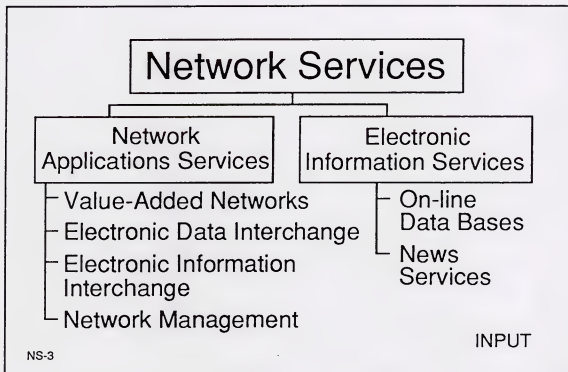
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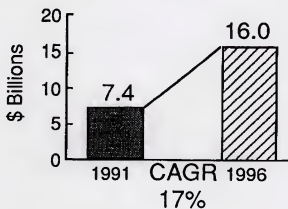




Notes



U.S. Electronic Information Services, 1991-1996



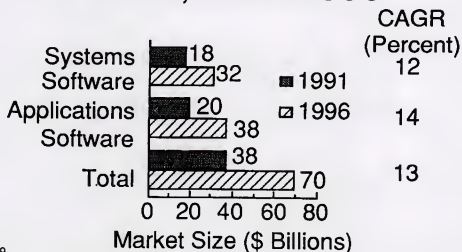
NS-62

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Notes



U.S. Software Products Market, 1991-1996



SP-19

Notes



Application Software Products Changing Buying Patterns

- Make versus buy decisions
- Solutions versus products
- A more strategic purchase
- End-user involvement and role of operating executives

SP-124

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Notes



Application Software Products Changing Distribution Channels

- SI and SO
- Applications software versus turnkey
- Turnkey/VAR versus systems integration

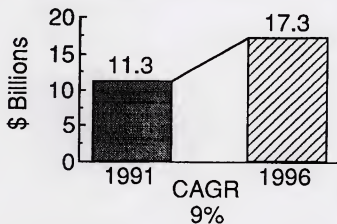
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Notes



U.S. Turnkey Systems Market, 1991-1996

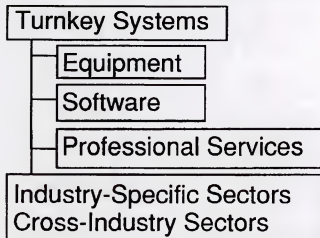


TS-10

Notes



Turnkey Systems Market Structure

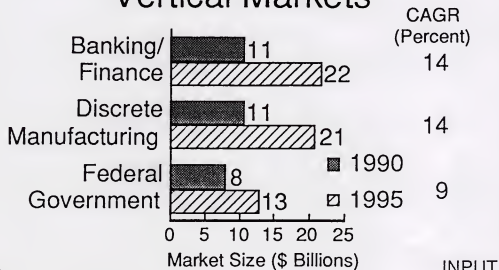


TS-3

Notes



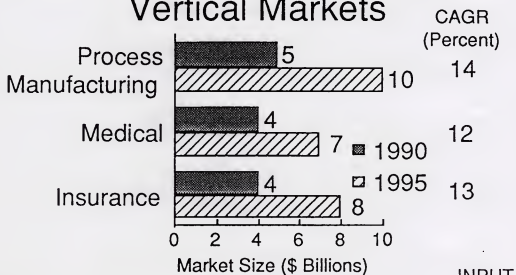
Largest Information Services Vertical Markets



Notes



Largest Information Services Vertical Markets

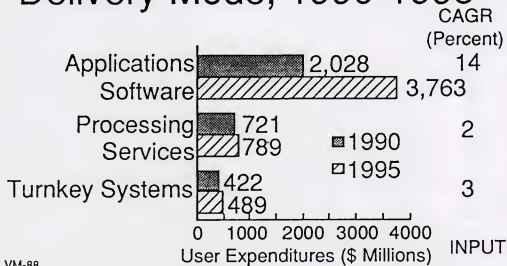


VM-3

Notes



Accounting Market by Delivery Mode, 1990-1995



Notes



Products and Services Markets Blurring

- Traditional competitors are changing:
 - Traditional *product* companies adding services
 - Traditional *service* companies adding products

IS-7a

INPUT

Notes



Products and Services Markets Blurring

- Traditional competitors are changing:
 - Consulting companies adding development services

IS-7b

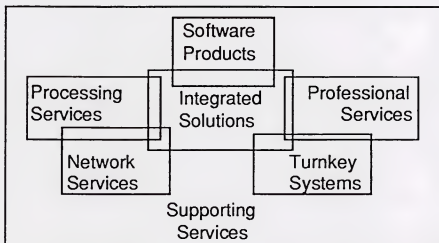
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Notes



Information Services Market Structure—1990s

Emphasis on Supporting Services



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MPRE-36

Notes



IS Outsourcing Areas

1. Systems operations
2. Applications maintenance
3. Applications management
4. Network operations
5. Desktop services

OU-7

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Notes



Focus

Systems integration (SI)

Systems operations (SO)

OU-12

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Notes



"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

OU-11

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Notes



Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Management	High	High	Medium
Systems Operations	High	Medium	Medium

OU-22

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Notes

The first part of the paper discusses the importance of understanding the underlying mechanisms of the observed phenomena. This is followed by a detailed analysis of the data, which reveals several key findings. The results indicate that the proposed model is highly effective in capturing the essential features of the system under study. Furthermore, the analysis shows that the system exhibits a high degree of robustness and adaptability to various external conditions. These findings are supported by a series of experiments and simulations, which demonstrate the model's ability to accurately predict the system's behavior under different scenarios. The paper concludes by highlighting the potential applications of the proposed model and suggesting directions for future research.

Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Maintenance	High	Medium	Low

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OU-23

Notes

9/3/91



Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages	Applications Management
Professional Services	Consulting Contract Prog	Applications Maintenance

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OU-18a

Notes



Evolution of Outsourcing

Product/Service	1970s	1990s
Processing Services	Specific Proc Serv	→ Systems Operations
Networking Services	Value-Added Networks	→ Network Operations

OU-18b

INPUT

Notes



Ground Rules

- Employer Services desires an outside view of potential business opportunities
- Assessments/recommendations based on an “informed outsider’s” view of Employer Services business

INPUT

YWAD1- 10

Notes



Ground Rules

- No briefings by Employer Services on
 - Objectives
 - Current business
 - Business plans
 - Opportunities evaluated
 - Plans

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YWAD1- 11

Notes



Ground Rules

- Suggestions/recommendations are meant to provoke thought and discussion.
 - All require additional research and analysis.

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YWAD1- 12

Notes



Ground Rules

- Some may not prove feasible or desirable for Employer Services.
- Some may have a large information service component but are not information services, per se.

INPUT

YWAD1- 13

Notes



INPUT's View of ADP/Employer Services

- Objectives
- Market base
- Operating characteristics
- Attitude toward technology
- Business culture

INPUT

YWAD1- 1

Notes



ADP/Employer Services Objectives

- EPS: Double digit growth
- Revenues: Double digit growth
- Market segment leadership
 - Market share
 - Potential to be in top three

YWAD1- 2

INPUT

Notes



ADP/Employer Services Market Base

- “Heartland” customers (25 - 1,000 employees)
 - Principal business base
 - Twenty percent penetration
 - Small penetration in larger companies

INPUT

YWAD1- 3

Notes



ADP/Employer Services Market Base

- HR, Payroll
 - Support functions, little competitive advantage
 - Mid-level, specialized buyers
 - Focussed sales force
- Repetitive (processing) services

INPUT

YWAD1- 4

Notes



ADP/Employer Services Operating Characteristics

- Disciplined operations, execution
- Mastery of detail
- Standardized processes and results
- Management of large data bases
 - Personal information
 - Financial information

INPUT

YWAD1- 5

Notes

ADP/Employer Services Operating Characteristics

- Able to deal with a complex, changing environment
 - Legislation and government rule making
 - Customer employment practices

INPUT

YWAD1- 6

Notes



ADP/Employer Services Attitude Toward Technology

- A means, not an end: efficient, standardized operations
- Cost control: very important
- Leading edge technology viewed as:
 - Costly
 - Risky

INPUT

YWAD1- 7

Notes



ADP/Employer Services Business Culture

- Offerings are:
 - Focussed
 - Changed incrementally
- Business unit has been risk-averse
 - re: Unrelated businesses
 - Technology-driven offerings

INPUT

YWAD1- 8

Notes



INPUT'S Assessment of General Opportunities

- "Template" for judging opportunities
- Potential areas

INPUT

YWAD1- 29

Notes



"Template" for Judging New Opportunities

- Meet financial/market share objectives (not always immediately)
 - Investment, start-up
 - Critical mass build-up (market share, efficiency)

INPUT

YWAD1- 24

Notes



"Template" for Judging New Opportunities

- *Services* attractive
- Independently offered products:
rarely attractive
- High technology component not
attractive

INPUT

YWAD1- 25

Notes



"Template" for Judging New Opportunities

- Should be related to current business in at least one of the following:
 - Delivery mode
 - A business support function
 - Customer set

INPUT

YWAD1- 26

Notes



Large Business Requirements

- Often, decentralized business units within a centralized administrative framework
- Complex, changing organizations

INPUT

YWAD1- 17

Notes

1870-1871

1871-1872

1872-1873

1873-1874

1874-1875

1875-1876

1876-1877

1877-1878

1878-1879

1879-1880

1880-1881

1881-1882

1882-1883

1883-1884

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1885-1886

1886-1887

1887-1888

1888-1889

1889-1890

1890-1891

1891-1892

1892-1893

1893-1894

Large Business Requirements

- Complex, change-resistant support systems—IS and/or management conflicts between “single data base” and distributed applications

INPUT

YWAD1- 18

Notes



Large Business Requirements

- Unique, custom-built systems environments caused by:
 - Real needs (competitive advantage)
 - Perceived needs (competitive advantage)
 - Accumulation of historic systems
- Increasing interest in outsourcing

INPUT

YWAD1- 19

Notes



Potential Opportunity Areas

- Broaden, deepen current niche (payroll/HR processing)
 - Ongoing process
 - Not addressed by INPUT at this time

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YWAD1- 14

Notes



Potential Opportunity Areas

- Expand into other business support functions
- Expand into other delivery modes
- Expand beyond Heartland customer set
 - Small businesses (secondary target, excluded from this analysis)

INPUT

YWAD1- 15

Notes



Potential Opportunity Areas

- Government (excluded from this analysis)
- Large businesses

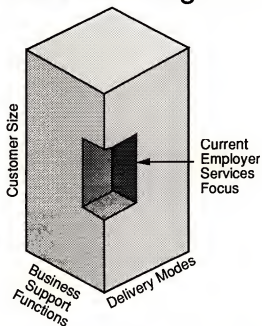
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YWAD1- 16

Notes



Employer Services Segment Focus



YWAD1- 56

INPUT

Notes



Examination of Specific Areas and Opportunities

- Delivery modes
- Vertical markets
- Cross-industry business support

INPUT

YWAD1- 30

Notes



Systems Operations (SO)

SO-1

INPUT

Notes



Template for Platform Operations

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	No

INPUT

YWAD1- 38

Notes



Applications Support

- Payroll, HR
- Potentially, other business support functions, e.g.,
 - Purchasing/accounts payable
 - Billing/accounts receivable

YWAD1- 44

INPUT

Notes



Applications Support

- Leverage processing core
 - Standardize customer software (all, part; sooner; later)
 - Standardize support procedures
- Could lead into larger outsourcing business: business support

INPUT

YWAD1- 45

Notes



Template for Applications Support

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Sometimes

INPUT

YWAD1- 39

Notes



Systems Integration

SI- 1

INPUT

Notes



System Integrated Related Opportunities

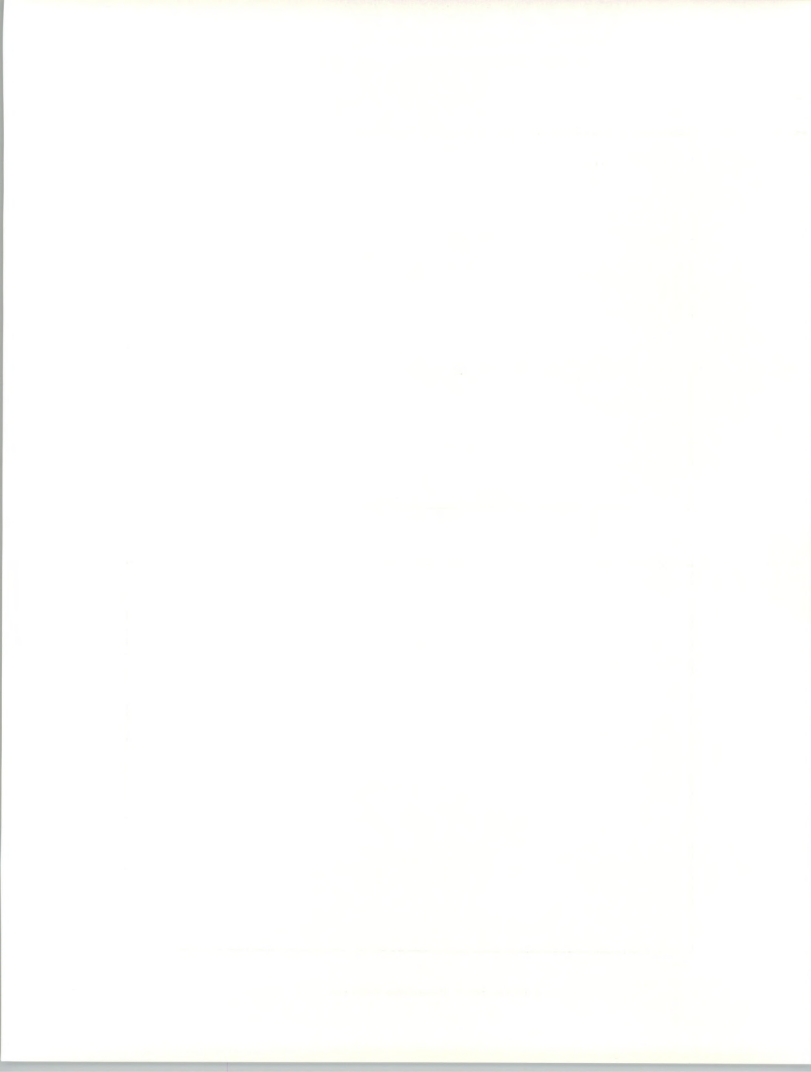
Employer Services

- "Pure" SI - build only
 - Target payroll, HR initially
 - Requires new/refocussed ADP skills
 - High degree of customization
 - Lumpy, episodic business
 - Probably not attractive

INPUT

YWAD1- 27

Notes



System Integrated Related Opportunities

Employer Services

- SI/SO - build/operate
 - Entree into large accounts
 - Meets more Employer Services criteria
 - SI component through partnering
 - Gradually introduce standard components
 - Better service
 - Reduce costs

INPUT

YWAD1- 28

Notes



Template for Systems Integration

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

INPUT

YWAD1- 40

Notes



On-Line Data Bases

YWAD1- 33

INPUT

Notes

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Template for Credit Reporting Data Base (Sample)

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Partial

YWAD1- 37

INPUT

Notes



Consumer Services: Concept

- Utilize data base on ten million employees
 - Actual personal information
 - Data base capabilities

INPUT

YWAD1- 46

Notes



Consumer Services: Concept

- Third party data base provider
- Market directly to individuals (e.g., financial services)
- Market through payroll customers to individuals (e.g., 401K)

INPUT

YWAD1- 47

Notes



Consumer Services: Questions

- Legal protection of payroll/HR information
- Direct provision of services to consumers inadvisable
- Consumer purchasing behavior data base experience totally different than HR data bases

YWAD1- 48

INPUT

Notes



Consumer Services: Questions

- Core of 401K business is marketing and management, not processing
- Payroll customers may be resistant to be marketed through

INPUT

YWAD1- 49

Notes

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Other Delivery Modes

YWAD1- 32

INPUT

Notes



Template for Systems Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Varies
Related to current business	No

YWAD1- 36

INPUT

Notes



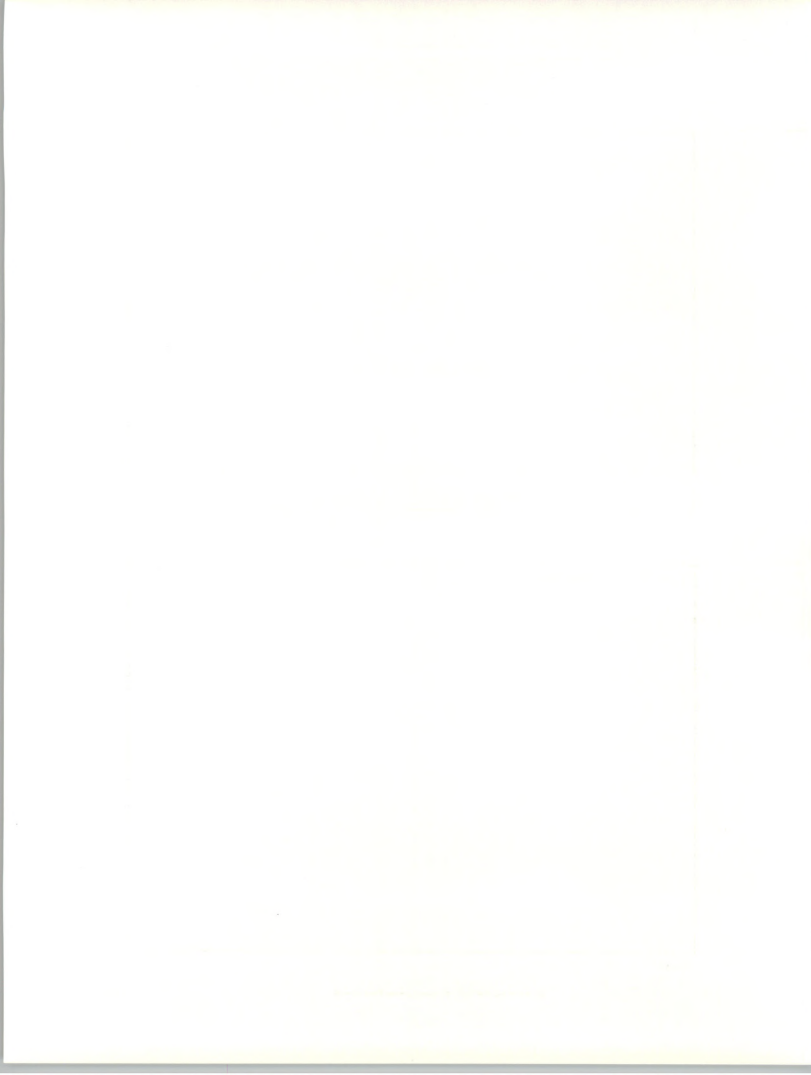
Template for Application Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes (usually)
Related to current business	Sometimes

YWAD1- 34

INPUT

Notes



Template for Turnkey Systems

Criteria	Acceptability
Financial/market share	Yes (?)
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

INPUT

YWAD1- 35

Notes



Delivery Modes and Employer Services

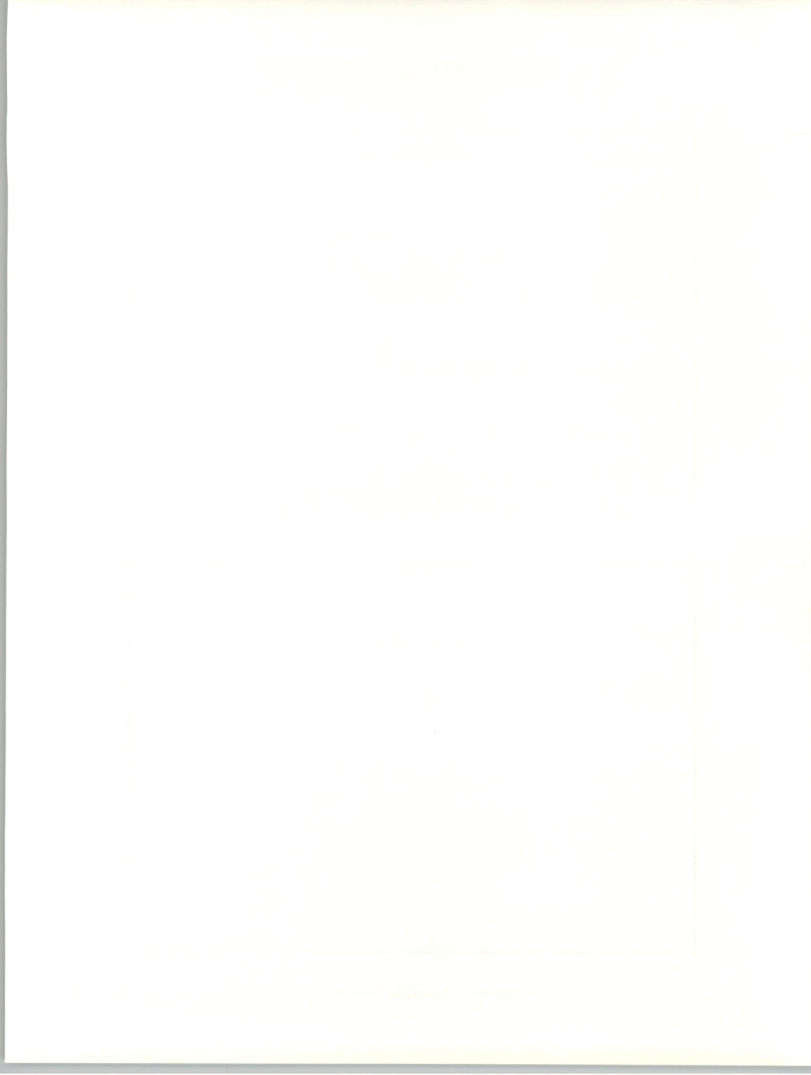
Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Processing*	Yes
Outsourcing	
• Platform operations	Probably no
• Applications support	Yes
• Entire business/ departmental functions	Yes

YWAD1- 22 *Current Segment

INPUT

Notes



Delivery Modes and Employer Services

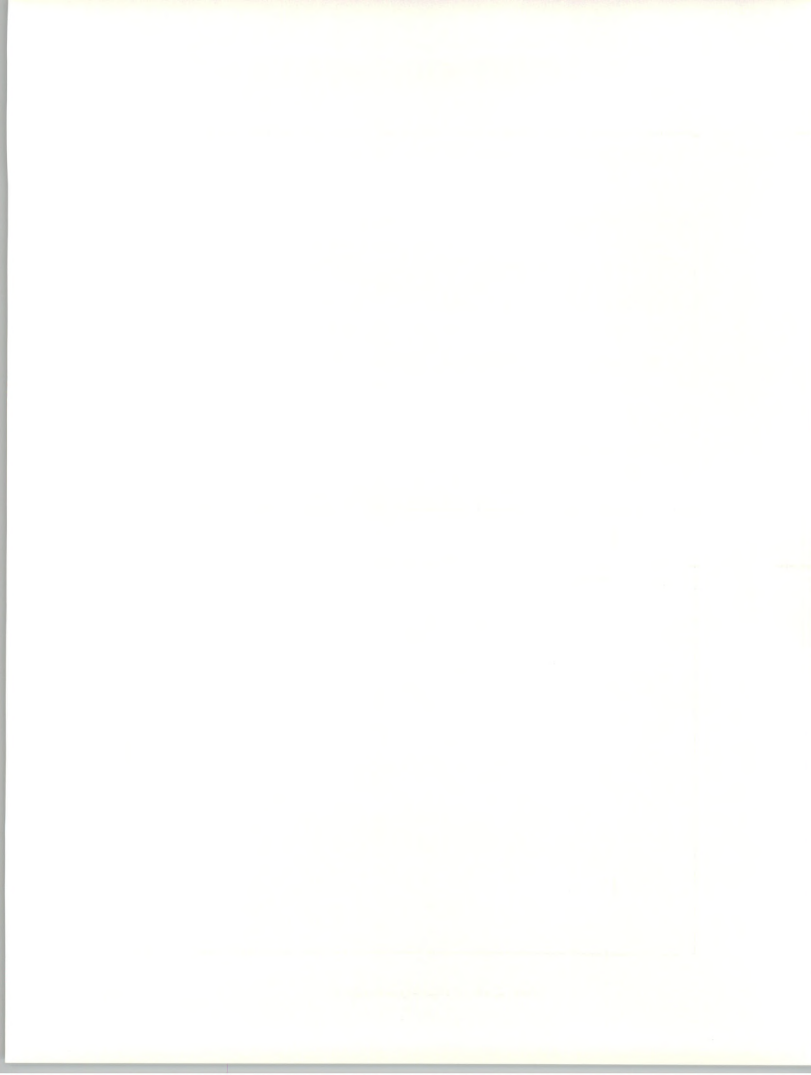
Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Systems Integration	Maybe
Information Data Base	Yes, if supplier proprietary
Software Products	No
• Systems Software	Probably no
• Applications Software	Probably no
Turnkey System	Probably no

INPUT

YWAD1- 23

Notes



Vertical Markets

VM-1

INPUT

Notes



Vertical Market Requirements

- Vertical knowledge, embodied in software and/or people.
 - Principal delivery modes:
 - Applications software products
 - Professional services
 - Systems integration

INPUT

YWAD1- 50

Notes



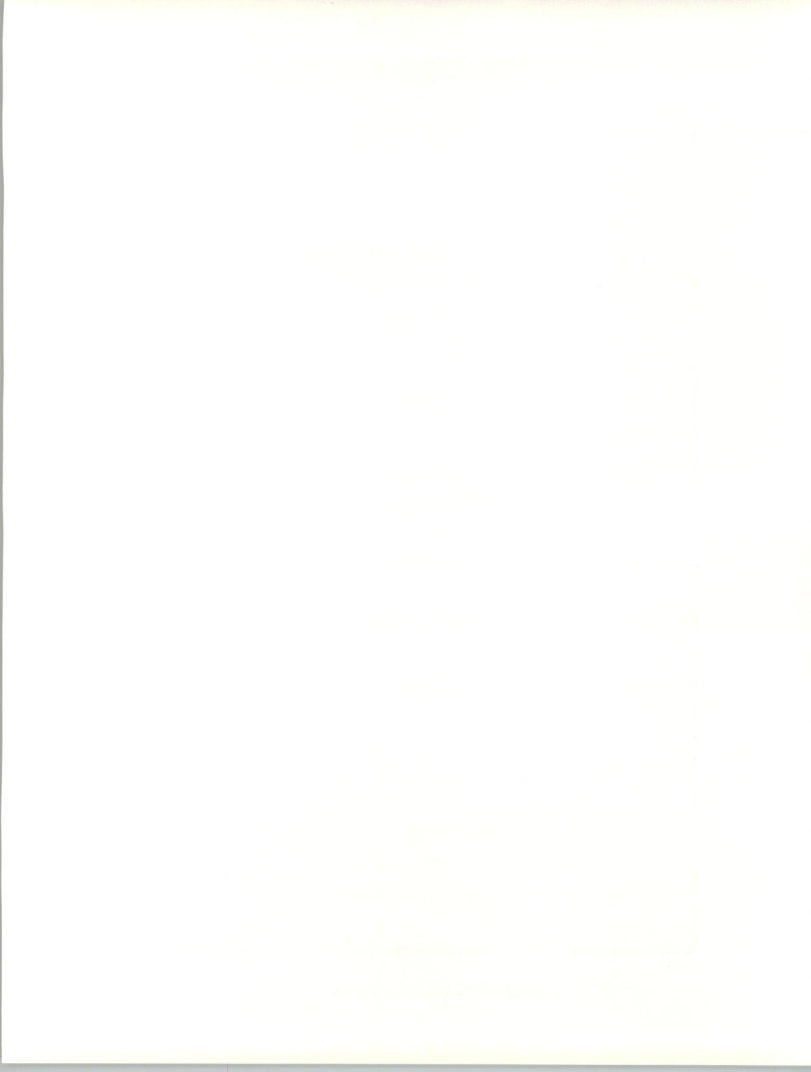
Vertical Market Requirements

- Increasing follow-on market for systems operations
- Little ability to build on Employer Services business
- Potential conflict with other ADP units

INPUT

YWAD1- 51

Notes



Cross-industry Business Support

YWAD1- 31

INPUT

Notes



Business Support Functions (Examples)

- Payroll*
- Human Resources*
- Purchasing/Accounts Payable
- Billing/Accounts Receivable

* Current segments

YWAD1- 20

INPUT

Notes



Business Support Functions (Examples)

- Order Processing
- Credit Authorization
- Health Claims Management
- Benefits Management

YWAD1- 21

INPUT

Notes



Recommendations

- Focus on core services
- Outsource other activities

Source: HBR Article

INPUT

OU-4

Notes



Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: HBR Article

INPUT

OU-5

Notes



Business Function Outsourcing Markets

	1991	1992
Processing Services	<ul style="list-style-type: none">• Limited functions• Mature market	<ul style="list-style-type: none">• Same
Applications Support	<ul style="list-style-type: none">• Functions vary• Growing market	<ul style="list-style-type: none">• Potentially all functions• Very large (?)

YWAD1- 42

INPUT

Notes



Business Function Outsourcing Markets

	1991	1992
Business Function Support	<ul style="list-style-type: none">• Infant market	<ul style="list-style-type: none">• Potentially all functions• Large (?)

YWAD1- 43

INPUT

Notes



Outsourcing Vendors

- Approaches differ greatly
- Variety of capabilities needed
- Partnerships/alliances result

OU-13

INPUT

Notes



Template for Business Function Outsourcing

Criteria	Acceptability
Financial/market share	Yes (?)
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	Sometimes

YWAD1- 41

INPUT

Notes



Summary

- Employer Services to become Corporate Services?
- Long term target: horizontal back office services
 - Processing → systems operations
 - Applications support → department support
 - Payroll/HR → other functions

INPUT

YWAD1- 52

Notes



Summary

- Separate opportunity: on-line data base supplier
 - Proprietary data
 - Corporate customers

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YWAD1- 53

Notes



Next Steps

- Prioritize opportunities
- Additional analysis, sizing of selected opportunities
 - Further refinement of offerings
 - Sizing

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YWAD1- 54

Notes



Next Steps

- Additional research may be required for sizing, growth, customer characteristics
- Identification of offering vehicle
 - In-house
 - Partnering
 - Acquisition

YWAD1- 55

INPUT

Notes

ADP
file

Information Services-Related Opportunities for Employer Services—An Initial Review

November 19, 1991



Agenda

- Overview of information services industry
- INPUT's view of Employer Services
- INPUT's assessment of general opportunities for Employer Services
- Examination of specific service areas and opportunities
- Summary

YWAD1- 9



INPUT

Market Research and Consultancy

Information Technology and
Services Industry

17 Years in Business

80 Employees

MS-6



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California, New York, Washington D.C.,
London, Paris, Tokyo, Frankfurt

Emphasis on Primary Research

Experienced Senior Executives

Comprehensive Forecasts

MS-7

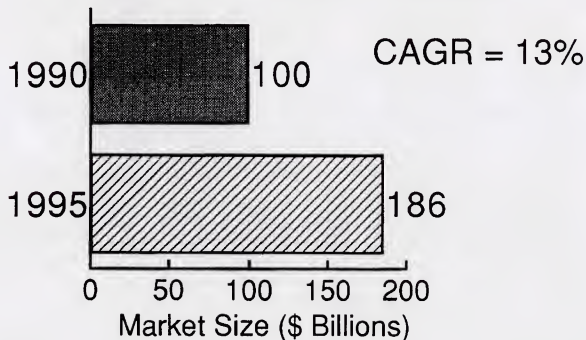


Information Services Industry Trends

MS-2

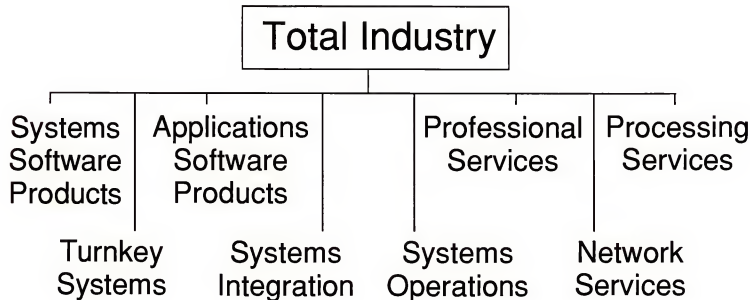


U.S. Information Services Market, 1990-1995





Information Services Industry Structure

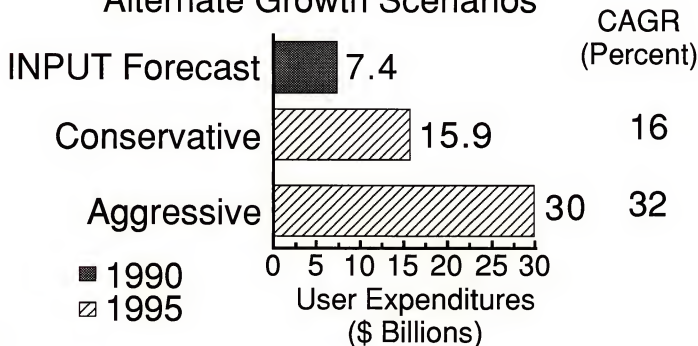


IS-2



U.S. Systems Operations Forecast, 1990-1995

Alternate Growth Scenarios



80-100



“Old”

Facilities Management

- Focus on computer operations

“New”

Systems Operations

- Development, planning, control, operations



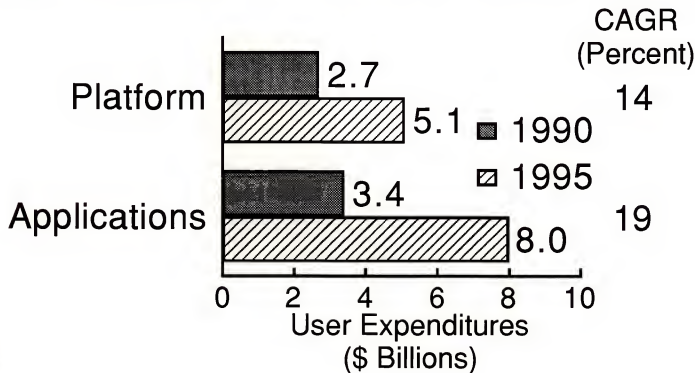
Types of Systems Operations

Type	Responsibilities
Platform	Operations of computer systems and their networks
Applications	Operations and applications software

SO-74



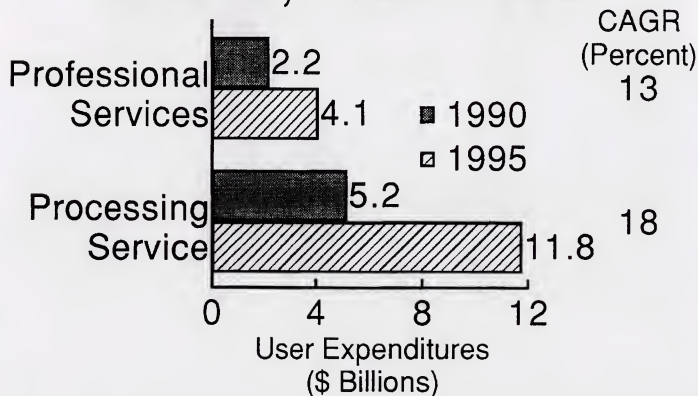
U.S. Commercial Systems Operations Market, 1990-1995



SO- 150b



U.S. Systems Operation Market, 1990-1995



SO-20a



Characteristics of Types of Systems Operations

Location of Main Computer	Ownership of Main Computer	
	Vendor	Customer
Vendor Site	Processing Services	Processing Services
Customer Site	Professional Services	Professional Services



Dominant modes

SO- 5



Characteristics of Types of Systems Operations

Location of Main Computer	Dedication of Main Computer	
	Shared	Single Customer
Vendor Site	Processing Services	Processing Services
Customer Site	Professional Services	Professional Services



Dominant modes

SO-6



Systems Operations Driving Forces

- Core business focus
- Business transition
- Expense reduction
- Capital preservation

SO- 10



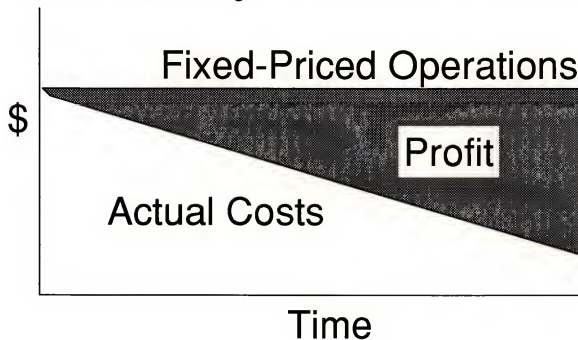
Systems Operations Processing Services

- Fastest-growing processing market
- Changing attitudes of IS executives
- Non-IS executive involvement
- Emerging systems vendors' strategies

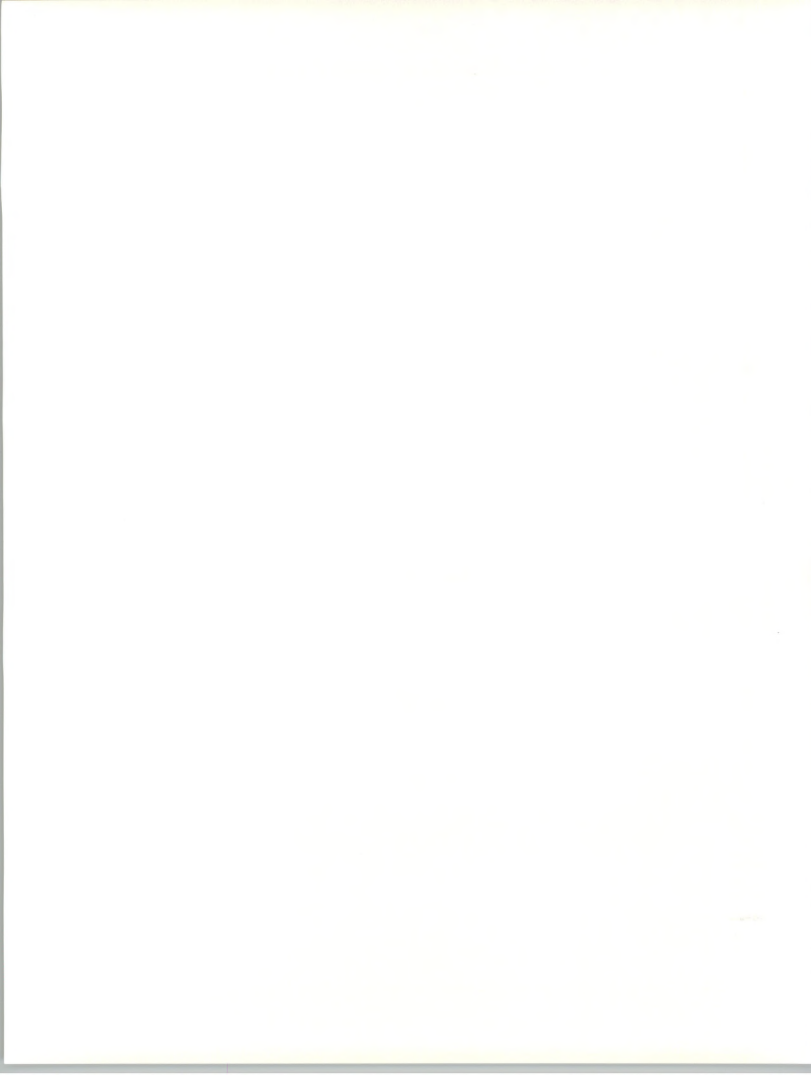
SO- 15



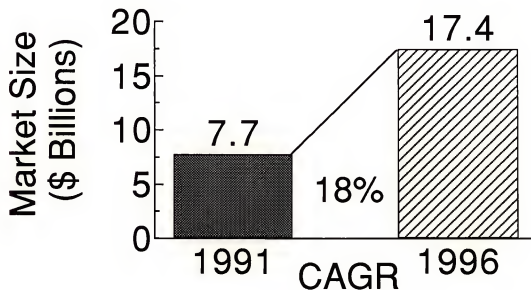
Systems Operations Efficiency Yields Profits



SO- 17



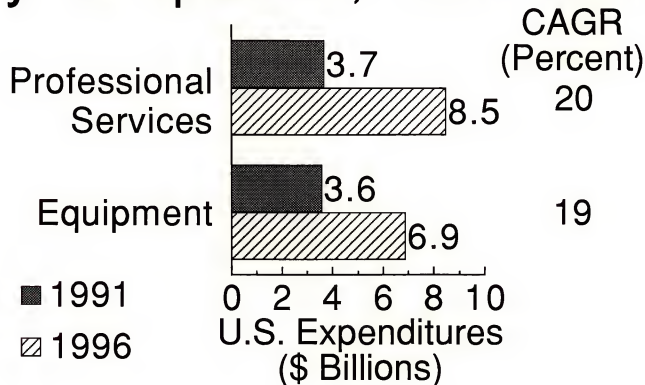
U.S. Systems Integration Market 1991-1996



SI-8



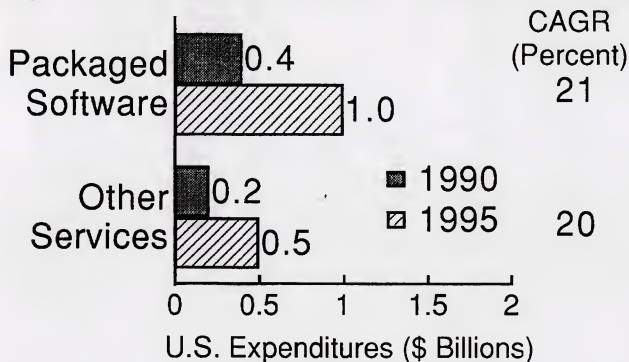
Systems Integration Market by Component, 1991-1996



SI-40



Systems Integration Market by Component, 1990-1995





SI Definition

- Vendor-provided service
- Complete solution to complex requirement for:
 - Information systems
 - Networking
 - Automation

SI-2a

SI Definition

- Custom selection and implementation of products and services

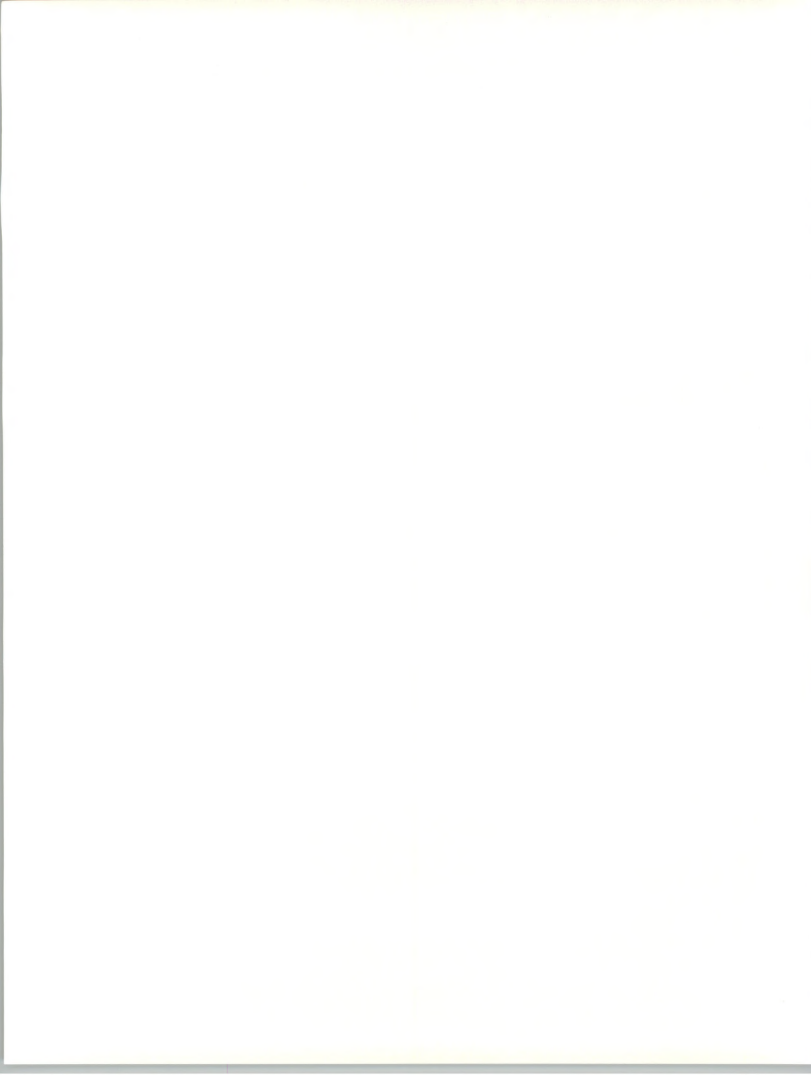
SI-2b



Major SI Buyer Issues

- Core business focus
- Competitive demands
- Increasingly complex solutions

SI-4



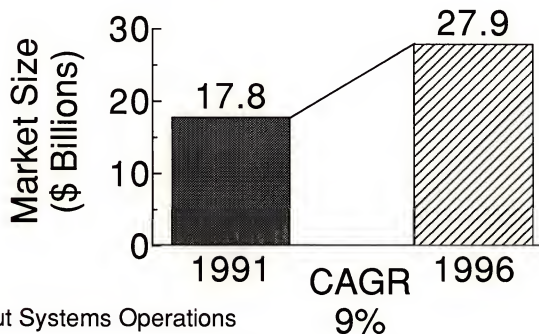
Major SI Buyer Issues

- Users becoming buyers
- New technology application
- Unavailable skills

SI-5



U.S. Professional Services Market,* 1991-1996

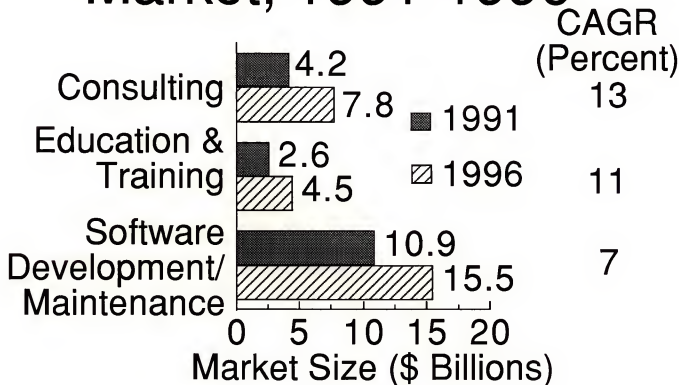


* Without Systems Operations

PF-11



U.S. Professional Services Market, 1991-1996



PF-12



Professional Services Market—Driving Forces

- Lack of skilled personnel
- Growth of network applications
- Amount of proprietary systems in use
- Growth of consulting services

PF-3



Professional Services Market—Growth Inhibitors

- Economic downturn
- Increased power of application development tools
- Lack of personnel with critical technical skills

PF-5



Professional Services Market—Growth Inhibitors

- Movement of prospects to systems integration/operations
- Slowing of information services industry

PF-6

Table 1. Mean (SD) age, height, weight, and body mass index (BMI) of the 100 children in the sample

Measure	Mean (SD)
Age (years)	10.2 (0.5)
Height (cm)	145.2 (10.1)
Weight (kg)	38.5 (10.2)
BMI (kg m ⁻²)	18.6 (3.2)

children were asked to perform a series of tasks designed to assess their understanding of the concept of a 'strong' person.

The tasks were designed to assess the children's understanding of the concept of a 'strong' person. The tasks were designed to assess the children's understanding of the concept of a 'strong' person.

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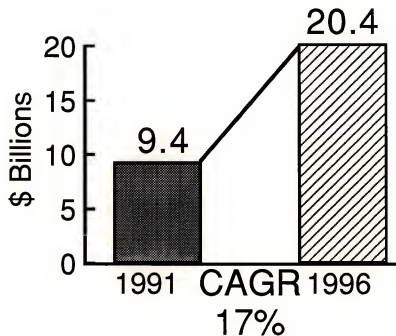
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U.S. Network Services 1991-1996



NS-61

Network Services

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graph TD; NS[Network Services] --> NAS[Network Applications Services]; NS --> EIS[Electronic Information Services]; NAS --> VAN[Value-Added Networks]; NAS --> EDI[Electronic Data Interchange]; NAS --> EII[Electronic Information Interchange]; NAS --> NM[Network Management]; EIS --> ODB[On-line Data Bases]; EIS --> NS2[News Services];
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Network Applications Services

- Value-Added Networks
- Electronic Data Interchange
- Electronic Information Interchange
- Network Management

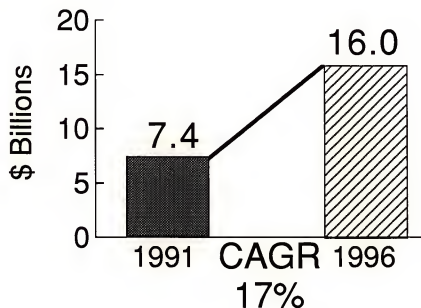
Electronic Information Services

- On-line Data Bases
- News Services

NS-3



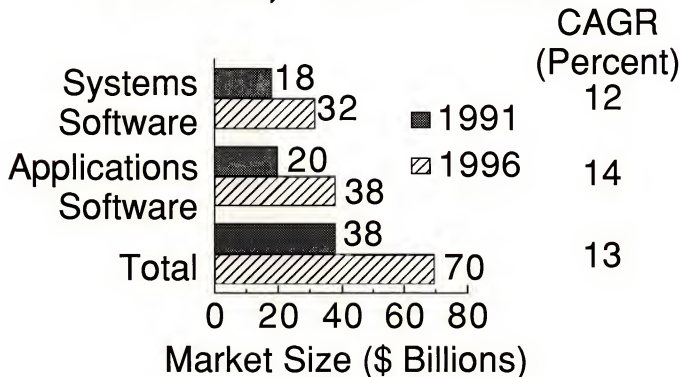
U.S. Electronic Information Services, 1991-1996



NS-62



U.S. Software Products Market, 1991-1996



SP-19



Application Software Products Changing Buying Patterns

- Make versus buy decisions
- Solutions versus products
- A more strategic purchase
- End-user involvement and role of operating executives

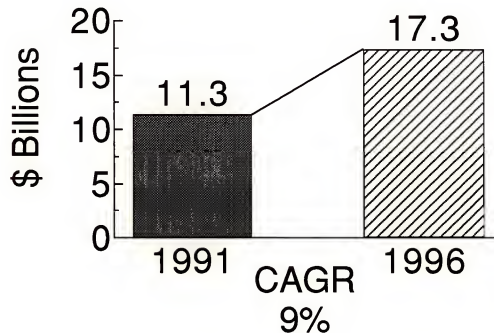
SP-124

Application Software Products Changing Distribution Channels

- SI and SO
- Applications software versus turnkey
- Turnkey/VAR versus systems integration

SP-125

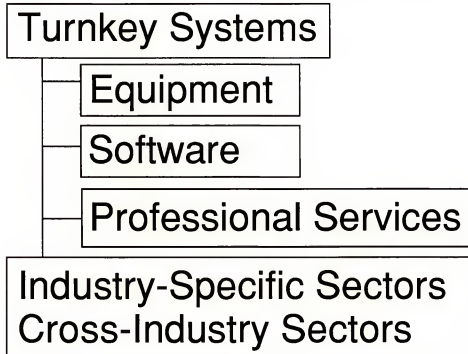
U.S. Turnkey Systems Market, 1991-1996



TS-10

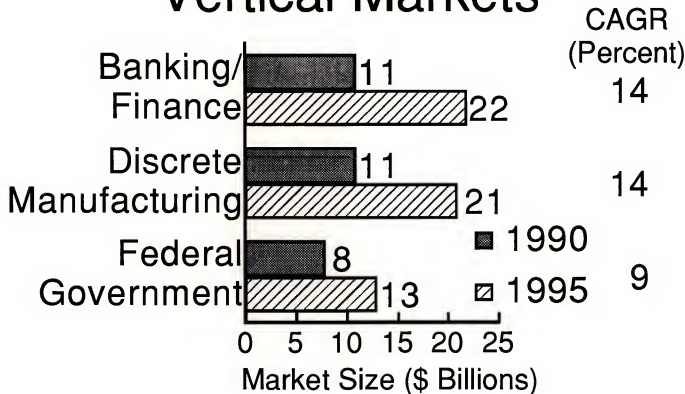


Turnkey Systems Market Structure



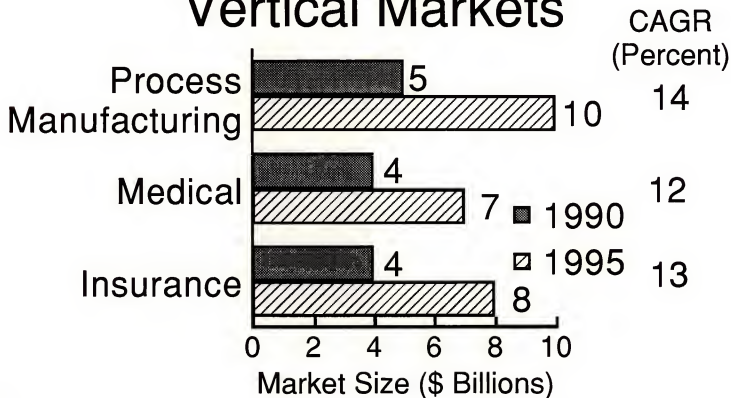
TS-3

Largest Information Services Vertical Markets



VM-2

Largest Information Services Vertical Markets

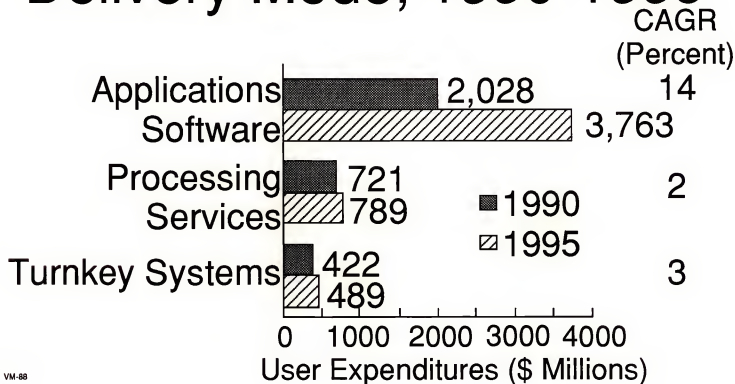


VM-3

INPUT



Accounting Market by Delivery Mode, 1990-1995



VM-88

Products and Services Markets Blurring

- Traditional competitors are changing:
 - Traditional *product* companies adding services
 - Traditional *service* companies adding products

IS-7a



Products and Services Markets Blurring

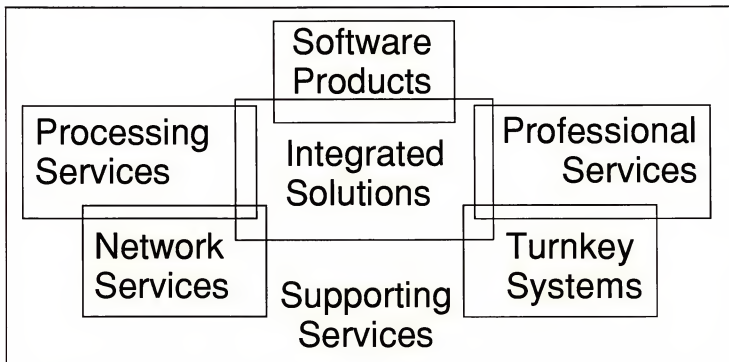
- Traditional competitors are changing:
 - Consulting companies adding development services

IS-7b



Information Services Market Structure—1990s

Emphasis on Supporting Services



IS-11



IS Outsourcing Areas

1. Systems operations
2. Applications maintenance
3. Applications management
4. Network operations
5. Desktop services

OU-7



Focus

Systems integration (SI)

Systems operations (SO)

OU-12



“Outsourcing” vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

OU-11



Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Management	High	High	Medium
Systems Operations	High	Medium	Medium

OU-22



Organization/IS Impact

Outsourcing Category	Impact		
	Operational	Tactical	Strategic
Applications Maintenance	High	Medium	Low

OU-23



Evolution of Outsourcing

Product/Service	1970s	1990s
Applications Software	Applications Packages	Applications Management
Professional Services	Consulting Contract Prog	Applications Maintenance

OU-18a



Evolution of Outsourcing

Product/Service	1970s	1990s
Processing Services	Specific Proc Serv	→ Systems Operations
Networking Services	Value-Added Networks	→ Network Operations

OU-18b



Ground Rules

- Employer Services desires an outside view of potential business opportunities
- Assessments/recommendations based on an “informed outsider’s” view of Employer Services business

YWAD1-10



Ground Rules

- No briefings by Employer Services on
 - Objectives
 - Current business
 - Business plans
 - Opportunities evaluated
 - Plans

YWAD1-11



Ground Rules

- Suggestions/recommendations are meant to provoke thought and discussion.
 - All require additional research and analysis.

YWAD1-12



Ground Rules

- Some may not prove feasible or desirable for Employer Services.
- Some may have a large information service component but are not information services, per se.

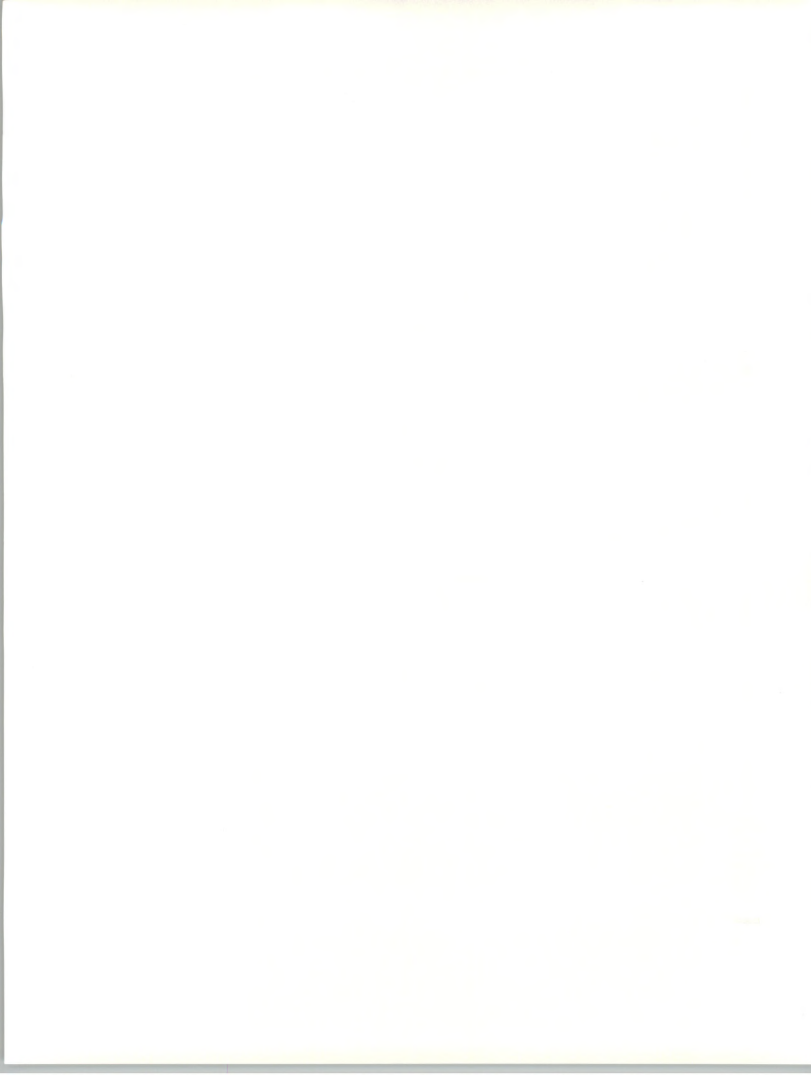
YWADI-13



INPUT's View of ADP/Employer Services

- Objectives
- Market base
- Operating characteristics
- Attitude toward technology
- Business culture

YWAD1- 1



ADP/Employer Services Objectives

- EPS: Double digit growth
- Revenues: Double digit growth
- Market segment leadership
 - Market share
 - Potential to be in top three

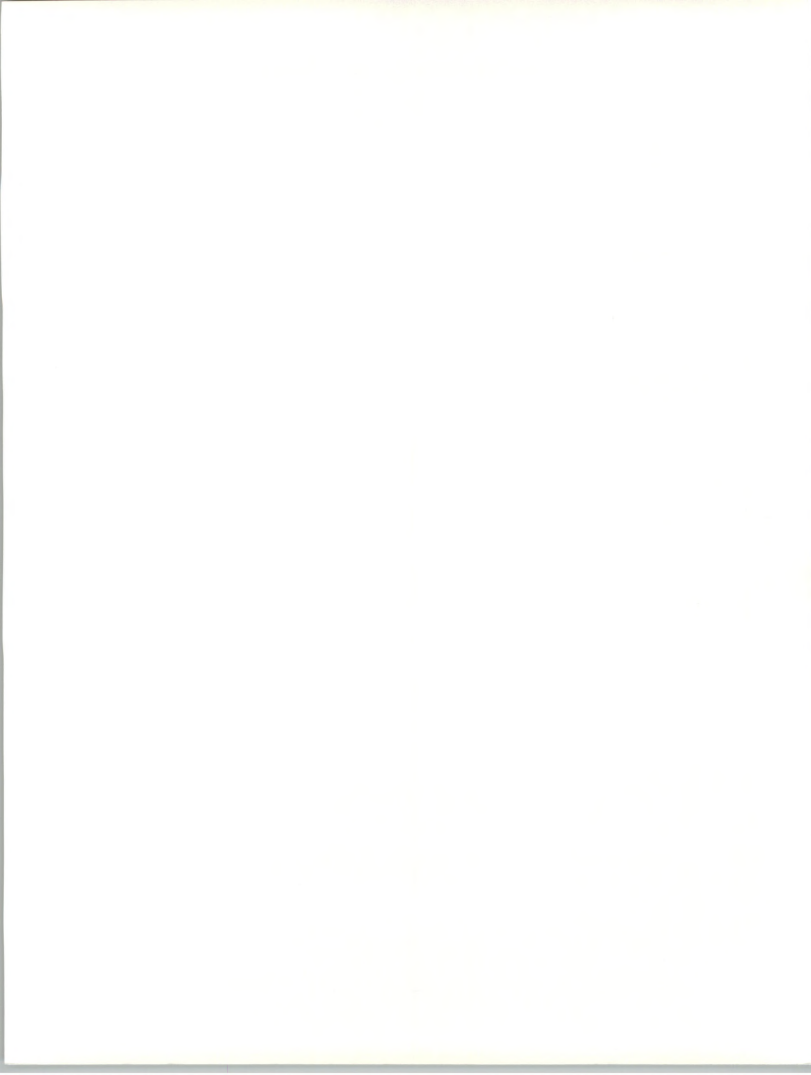
YWAD1-2



ADP/Employer Services Market Base

- “Heartland” customers (25 - 1,000 employees)
 - Principal business base
 - Twenty percent penetration
 - Small penetration in larger companies

YWADI- 3



ADP/Employer Services Market Base

- HR, Payroll
 - Support functions, little competitive advantage
 - Mid-level, specialized buyers
 - Focussed sales force
- Repetitive (processing) services

YWADI- 4



ADP/Employer Services Operating Characteristics

- Disciplined operations, execution
- Mastery of detail
- Standardized processes and results
- Management of large data bases
 - Personal information
 - Financial information

YWAD1- 5



ADP/Employer Services Operating Characteristics

- Able to deal with a complex, changing environment
 - Legislation and government rule making
 - Customer employment practices

YWADI- 6



ADP/Employer Services Attitude Toward Technology

- A means, not an end: efficient, standardized operations
- Cost control: very important
- Leading edge technology viewed as:
 - Costly
 - Risky

YWADI- 7



ADP/Employer Services Business Culture

- Offerings are:
 - Focussed
 - Changed incrementally
- Business unit has been risk-averse
 - re: Unrelated businesses
 - Technology-driven offerings

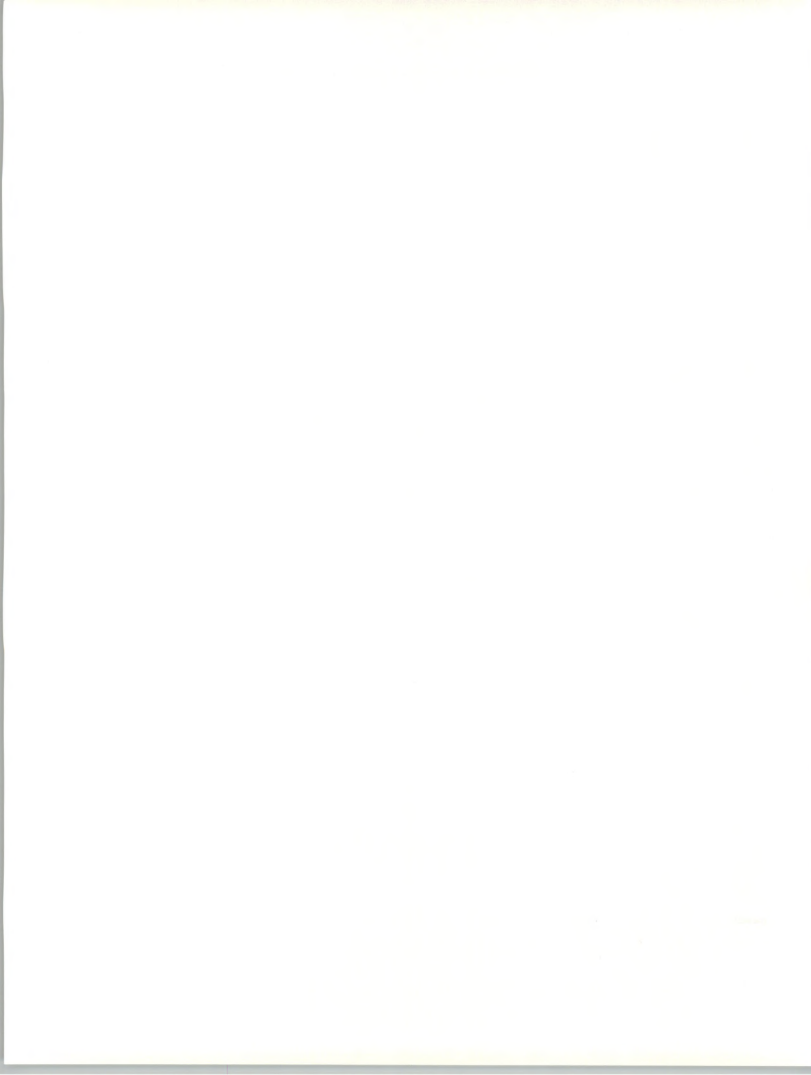
YWAD1-8



INPUT'S Assessment of General Opportunities

- “Template” for judging opportunities
- Potential areas

YWAD1-29



“Template” for Judging New Opportunities

- Meet financial/market share objectives (not always immediately)
 - Investment, start-up
 - Critical mass build-up (market share, efficiency)

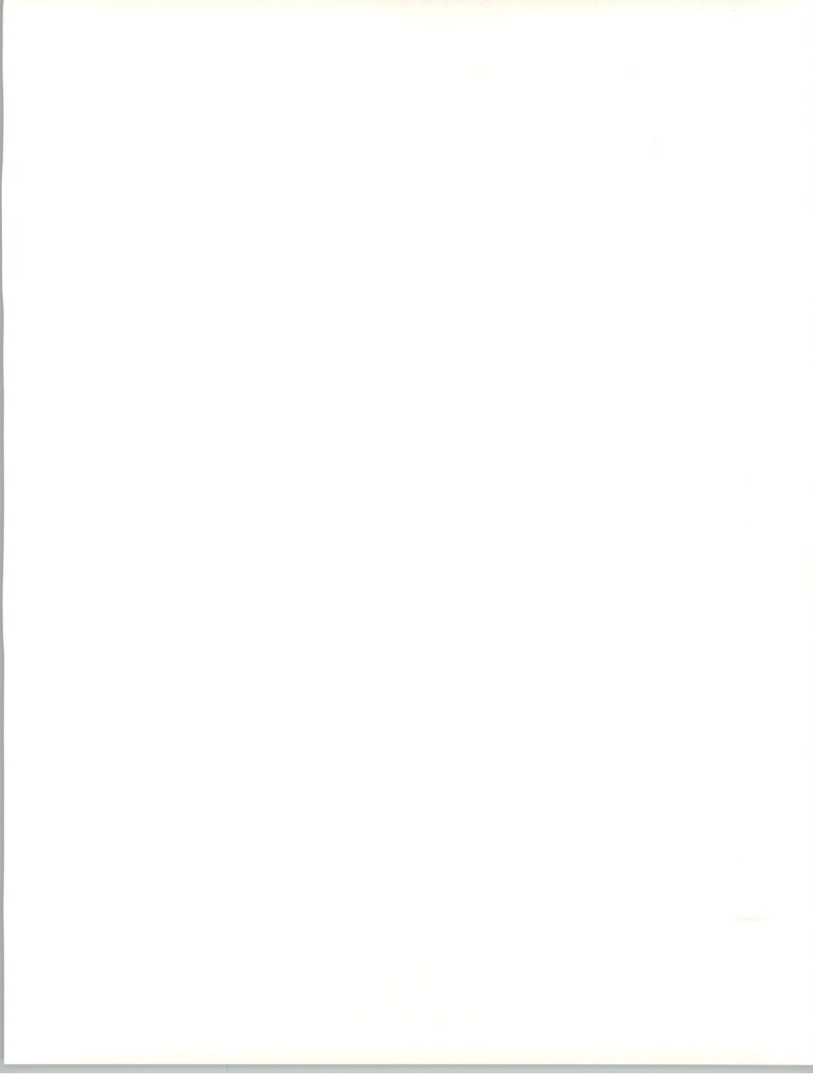
YWAD1-24



“Template” for Judging New Opportunities

- *Services* attractive
- Independently offered products:
rarely attractive
- High technology component not
attractive

YWAD1-25



“Template” for Judging New Opportunities

- Should be related to current business in at least one of the following:
 - Delivery mode
 - A business support function
 - Customer set

YWAD1-26



Large Business Requirements

- Often, decentralized business units within a centralized administrative framework
- Complex, changing organizations

YWAD1-17



Large Business Requirements

- Complex, change-resistant support systems—IS and/or management conflicts between “single data base” and distributed applications

YWADI-18



Large Business Requirements

- Unique, custom-built systems environments caused by:
 - Real needs (competitive advantage)
 - Perceived needs (competitive advantage)
 - Accumulation of historic systems
- Increasing interest in outsourcing

YWAD1-19



Potential Opportunity Areas

- Broaden, deepen current niche (payroll/HR processing)
 - Ongoing process
 - Not addressed by INPUT at this time

YWAD1-14



Potential Opportunity Areas

- Expand into other business support functions
- Expand into other delivery modes
- Expand beyond Heartland customer set
 - Small businesses (secondary target, excluded from this analysis)

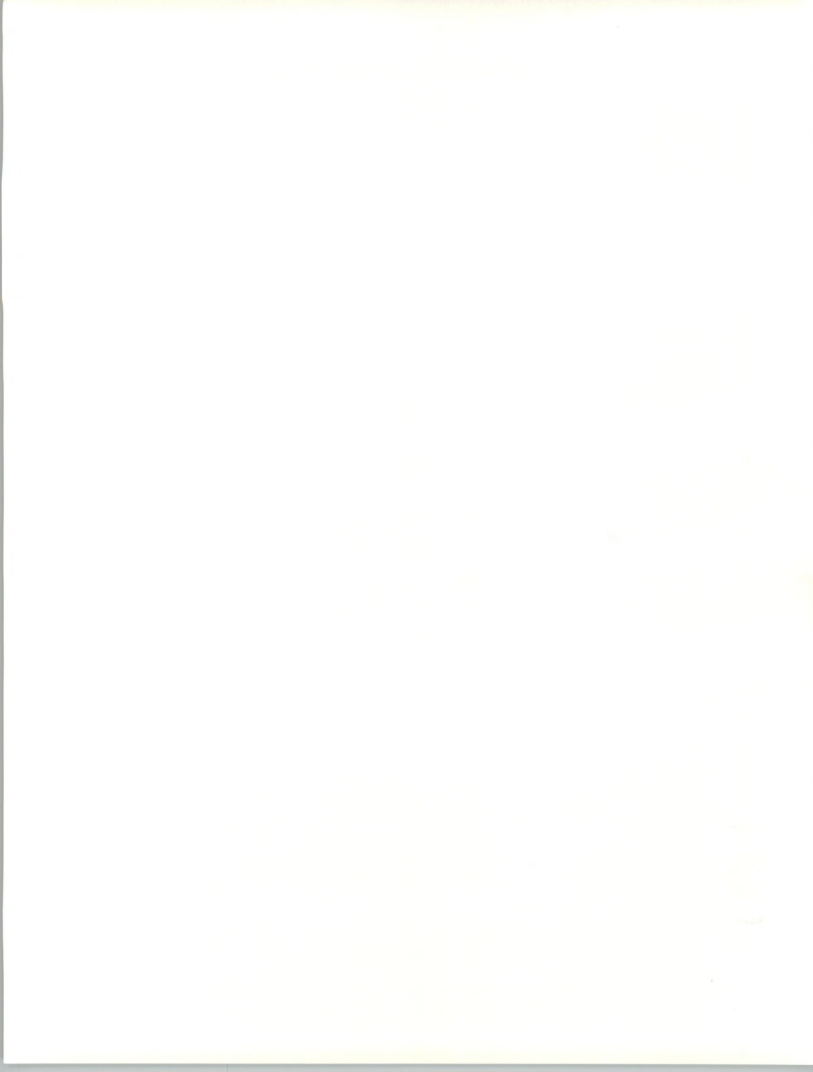
YWAD1-15



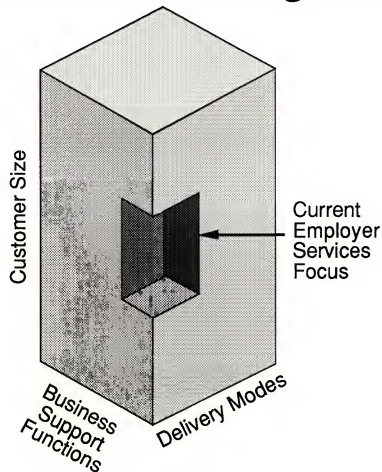
Potential Opportunity Areas

- Government (excluded from this analysis)
- Large businesses

YWAD1-16



Employer Services Segment Focus



YWAD1-56



Examination of Specific Areas and Opportunities

- Delivery modes
- Vertical markets
- Cross-industry business support

YWAD1-30



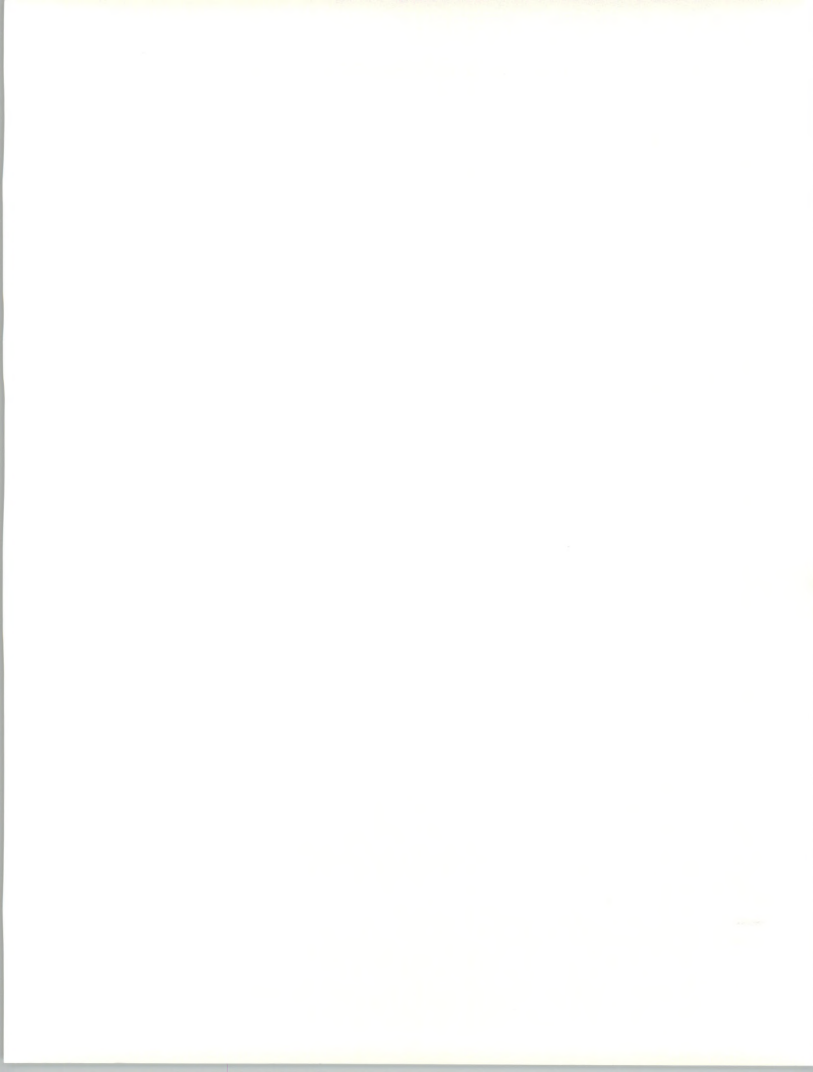
Systems Operations (SO)

SO- 1

Template for Platform Operations

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	No

YWAD1-38



Applications Support

- Payroll, HR
- Potentially, other business support functions, e.g.,
 - Purchasing/accounts payable
 - Billing/accounts receivable

YWADI-44



Applications Support

- Leverage processing core
 - Standardize customer software (all, part; sooner; later)
 - Standardize support procedures
- Could lead into larger outsourcing business: business support

YWAD1-45



Template for Applications Support

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Sometimes

YWAD1-39

Systems Integration

SI-1



System Integrated Related Opportunities

Employer Services

- “Pure” SI - build only
 - Target payroll, HR initially
 - Requires new/refocussed ADP skills
 - High degree of customization
 - Lumpy, episodic business
 - Probably not attractive

YWAD1-27



System Integrated Related Opportunities

Employer Services

- SI/SO - build/operate
 - Entree into large accounts
 - Meets more Employer Services criteria
 - SI component through partnering
 - Gradually introduce standard components
 - Better service
 - Reduce costs

YWAD1-28



Template for Systems Integration

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

YWADI-40



On-Line Data Bases

YWAD1-33



Template for Credit Reporting Data Base (Sample)

Criteria	Acceptability
Financial/market share	Yes
Service	Yes
Low/medium technology	Yes
Related to current business	Partial

YWAD1-37



Consumer Services: Concept

- Utilize data base on ten million employees
 - Actual personal information
 - Data base capabilities

YWAD1-46



Consumer Services: Concept

- Third party data base provider
- Market directly to individuals (e.g., financial services)
- Market through payroll customers to individuals (e.g., 401K)

YWAD1-47



Consumer Services: Questions

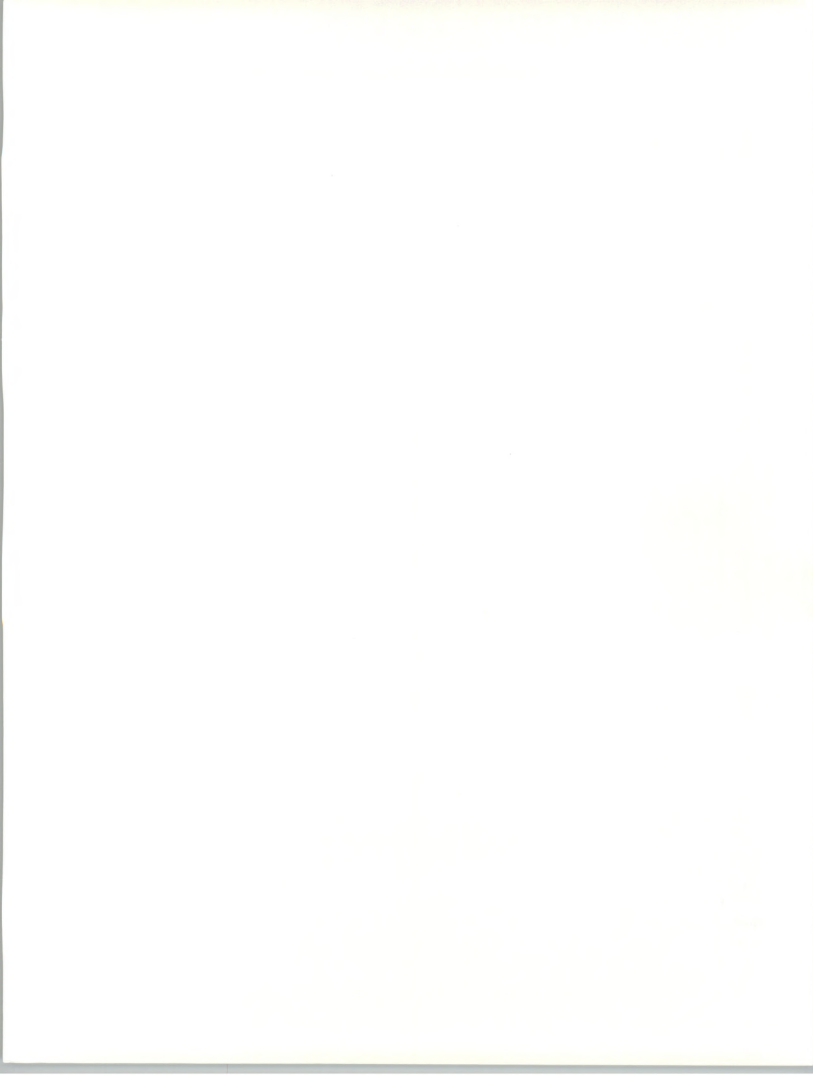
- Legal protection of payroll/HR information
- Direct provision of services to consumers inadvisable
- Consumer purchasing behavior data base experience totally different than HR data bases

YWAD1-48



Other Delivery Modes

YWAD1-32



Template for Systems Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Varies
Related to current business	No

YWAD1-36



Consumer Services: Questions

- Core of 401K business is marketing and management, not processing
- Payroll customers may be resistant to be marketed through

YWAD1-49



Template for Application Software Products

Criteria	Acceptability
Financial/market share	Yes
Service	No
Low/medium technology	Yes (usually)
Related to current business	Sometimes

YWAD1-34



Template for Turnkey Systems

Criteria	Acceptability
Financial/market share	Yes (?)
Service	No
Low/medium technology	Yes
Related to current business	Sometimes

YWADI-35



Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Processing*	Yes
Outsourcing	
• Platform operations	Probably no
• Applications support	Yes
• Entire business/ departmental functions	Yes

YWAD1-22

*Current Segment

INPUT

Delivery Modes and Employer Services

Criteria: Summary

Delivery Mode	Meets ADP Criteria?
Systems Integration	Maybe
Information Data Base	Yes, if supplier proprietary
Software Products	
• Systems Software	No
• Applications Software	Probably no
Turnkey System	Probably no

YWAD1-23



Vertical Markets

VM-1

INPUT

INPUT



Vertical Market Requirements

- Vertical knowledge, embodied in software and/or people.
 - Principal delivery modes:
 - Applications software products
 - Professional services
 - Systems integration

YWAD1-50



Vertical Market Requirements

- Increasing follow-on market for systems operations
- Little ability to build on Employer Services business
- Potential conflict with other ADP units

YWADI-51



Cross-industry Business Support

YWADI-31



Business Support Functions (Examples)

- Payroll*
- Human Resources*
- Purchasing/Accounts Payable
- Billing/Accounts Receivable

* Current segments

YWAD1-20



Business Support Functions (Examples)

- Order Processing
- Credit Authorization
- Health Claims Management
- Benefits Management

YWAD1-21

Recommendations

- Focus on core services
- Outsource other activities

Source: HBR Article



Outsourcing

- Outsource non-competitive activities
- Outsourcing builds flexibility
- Outsourcing allows focus

Source: HBR Article



Business Function Outsourcing Markets

	1991	1992
Processing Services	<ul style="list-style-type: none">• Limited functions• Mature market	<ul style="list-style-type: none">• Same
Applications Support	<ul style="list-style-type: none">• Functions vary• Growing market	<ul style="list-style-type: none">• Potentially all functions• Very large (?)

YWAD1-42



Business Function Outsourcing Markets

	1991	1992
Business Function Support	<ul style="list-style-type: none">• Infant market	<ul style="list-style-type: none">• Potentially all functions• Large (?)

YWAD1-43



Outsourcing Vendors

- Approaches differ greatly
- Variety of capabilities needed
- Partnerships/alliances result

OU-13



Template for Business Function Outsourcing

Criteria	Acceptability
Financial/market share	Yes (?)
Service	Yes
Low/medium technology	Yes (usually)
Related to current business	Sometimes

YWAD1-41



Summary

- Employer Services to become Corporate Services?
- Long term target: horizontal back office services
 - Processing→ systems operations
 - Applications support→ department support
 - Payroll/HR→ other functions

YWAD1-52



Summary

- Separate opportunity: on-line data base supplier
 - Proprietary data
 - Corporate customers

YWAD1-53



Next Steps

- Prioritize opportunities
- Additional analysis, sizing of selected opportunities
 - Further refinement of offerings
 - Sizing

YWAD1-54



Next Steps

- Additional research may be required for sizing, growth, customer characteristics
- Identification of offering vehicle
 - In-house
 - Partnering
 - Acquisition

YWAD1-55

